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Foreign Agriculture

Agricultural Technology: Can It Recapture Export Markets?

Marketing News

Michigan Department of Agriculture Opens Hong Kong Office

Enhancing trade opportunities for Michigan food and agricultural products is the focus of the **Michigan Department of Agriculture's** new Asian office, which opened in Hong Kong on June 27. Ming Wu, of the Michigan Agricultural Development Division, has been named the director of the office, which is located at 1115 Connaught Centre, Hong Kong. Tel. 5-244132.

The office will cover Hong Kong, India, Indonesia, Japan, Korea, Malaysia, Nepal, China, the Philippines, Singapore, Taiwan and Thailand. "The Asian market, where the largest percentage of the world's population lives, offers the greatest potential for growth in sales of Michigan's food and agriculture products," said Paul E. Kindinger, director of Michigan's Department of Agriculture. "Our Asian office will give Michigan a significant competitive advantage for increasing market opportunities."

Duties of the office will include gathering information on trade opportunities and new businesses, providing label clearance and ingredient verification services, compiling importer directories and displaying Michigan products.

"The office will be a one-stop center for foreign importers seeking Michigan products and investment," said Randy Harmson, director of the state's Agricultural Development Division.

Feed Grain Council Makes Inroads in Middle East

The **U.S. Feed Grains Council** has been hard at work promoting purchasing activities in the Middle East, where growth in feed grain sales has been discouraging. Last spring, the Council's trade servicing department sponsored educational projects in Egypt and Turkey to help private buyers in those countries purchase U.S. grains. The seminars were well attended by host government and private sector representatives. Co-sponsors included the government buying agencies in each country, USDA and the Food and Agriculture Organization of the United Nations.

Both Egypt and Turkey are in need of educational programs for new traders. The seminars were designed to teach the techniques of trading and the workings of the U.S. trading system. Seminar topics included grain standards, rodent and insect control, USDA credit programs and the world supply and demand outlook. Ken Stephens, the Council's director of trade servicing, presented a paper on changes in U.S. legislation and policy and their effect on world grain prices.

Because importers in both countries will be buying grain in the near future, the skills taught in these seminars should translate directly into increased sales of U.S. grain in these countries.

ATO/Singapore Planning Fruit Promotion With McDonald's

The **Agricultural Trade Office in Singapore** is planning a breakfast fruit promotion in cooperation with McDonald's in Singapore later this fall. The trade office also is coordinating its efforts with the Singapore representatives of Sunkist and the Washington State Apple Commission for this program. Each customer purchasing a breakfast plate will be given the choice of one U.S. fruit: an apple, an orange or a plum. The restaurant group serves 110,000 breakfasts per month.

Construction Directory To Be Published in China

A directory aimed at the 400,000 people who select equipment and materials for China's construction industry is due for release next year in Hong Kong. This directory, to be updated annually, will provide information to the Chinese construction industry on overseas companies and their products. For further information, contact Michael Humphrey, U.S. Agricultural Officer, American Consulate General, Hong Kong, Box 30, FPO San Francisco, CA 96659. Tel. (011-852-5) 239-011.

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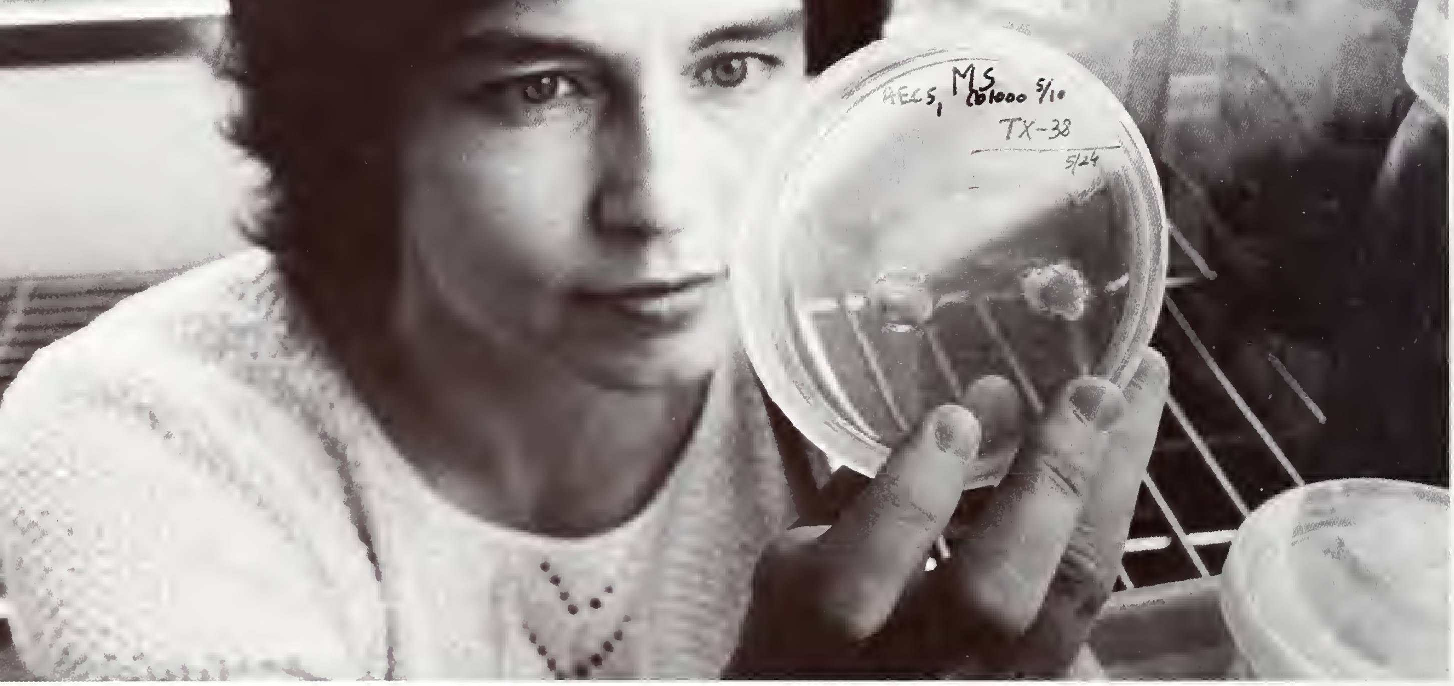
Agricultural Technology—Can It Recapture Export Markets?



By Thomas J. Buhler

U.S. agriculture may have found a knight in shining armor in the form of the scientist's white smock. A recently released study[1] from the U.S. Congress says agricultural technology currently being developed by U.S. researchers will play a big role in recapturing export markets.

Dr. Michael Phillips of the Congressional Office of Technology Assessment, who directed the two-year study, equates new developments in agricultural sciences with two previous breakthroughs: The invention of the tractor and the development of farm chemicals.

[1] "Technology, Public Policy, and the Changing Structure of American Agriculture." Copies of the full report can be purchased for $13 each from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. GPO Stock No. 052-003-01018-6.

Like those developments, the technological revolution will mean greater production of higher quality products at lower costs, Phillips says, and lower costs are crucial to international competition.

Yield Increases Are the Key

About 83 percent of the estimated 1.8-percent annual increase in agricultural production needed to meet world demand by the year 2000 must come from increases in yields—yields made possible through the adoption of emerging technologies.

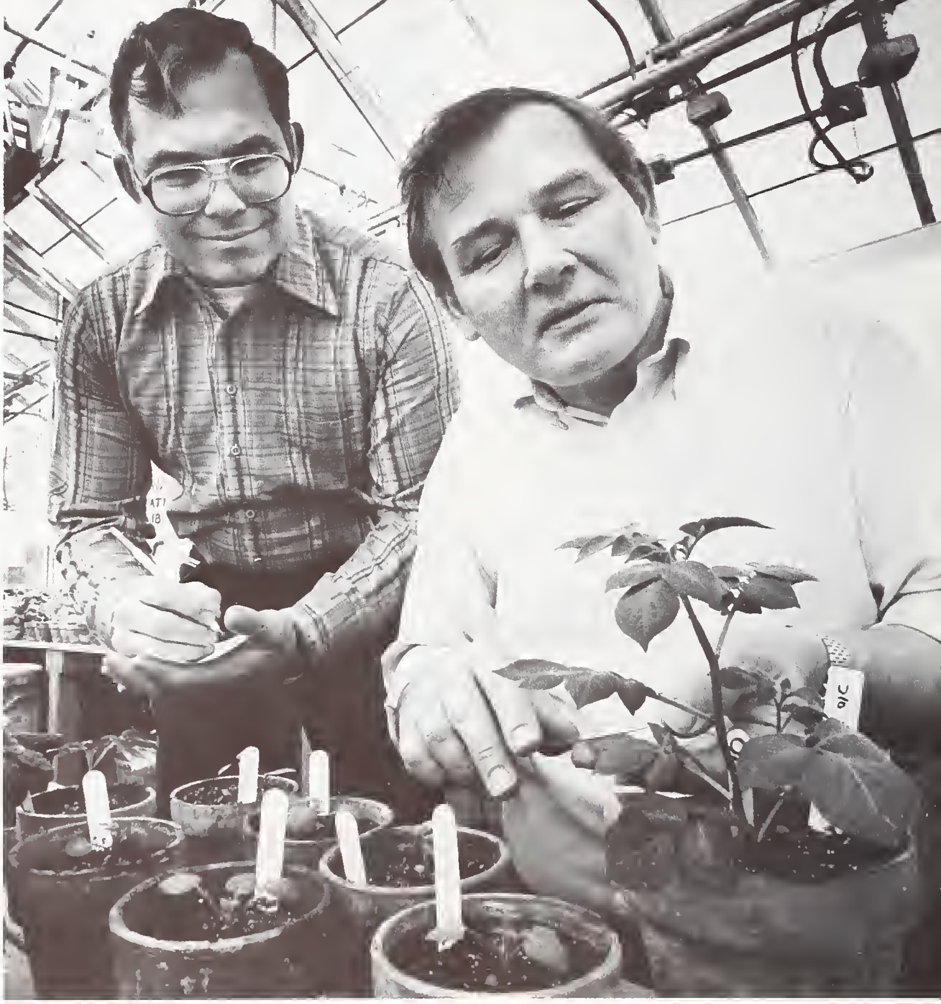
Throughout the remainder of this century, U.S. farmers will be offered an array of biological and informational technology that could revolutionize animal and plant production.

Biotechnology includes gene insertion, the use of micro-organisms in the production of protein and embryo transfer. Information technology involves the use of computers to monitor crops and livestock, and to obtain helpful information for farm management.

The technology of micro-organisms in protein production is already well advanced. In fact, the Congressional study predicts that within three years many dairy farmers will be using a growth hormone developed through manipulation of the DNA molecule to increase milk production dramatically.

Largely as a result of this product, the study predicts, milk production will increase from an average of 12,000 pounds per cow in 1982 to over 24,000 pounds by the year 2000.

Other products developed through this method can be used for prevention and detection of disease. Vaccines produced by recombinant DNA are being tested for foot-and-mouth disease, swine dysentery and coccidiosis in poultry.



Genetic Work Plays Major Role

Even greater impact on agricultural production may result from the use of gene transfer. This process allows scientists to obtain the effects of breeding by combining genetic traits in the laboratory. The product then transfers these traits to its offspring, resulting in plants and animals that exhibit greater production, disease resistance and desirability. For instance, scientists are working on an all white-meat chicken and a cholesterol-free steak.

Another technique called genetic modification could be the most dramatic new technology of all. This process allows the introduction of desirable traits from one plant species into a completely different type of plant.

For instance, it is possible to insert the genes that encode photosynthetic proteins in pea plants into petunias. Once again, the result is a healthier, more abundant output.

Gains Seen in Information Management

According to the study, new technology will also provide farmers with big breakthroughs in the area of information management. Through the use of computers, machines will identify individual animals electronically, automatically mix a ration of feed designed especially for that animal, and monitor the animal's weight gain. The result is increased production at a lower cost.

Computers will provide livestock producers access to a wealth of additional information on each animal as well, including production records, breeding dates, number of offspring and dates of diseases. This data will give farmers the information needed to increase farm efficiency by culling more effectively.

Techniques Enhance Crop Production

Information technology also will bring greater efficiency in crop production. Computers hooked into larger off-farm data bases will give farmers access to information on pest incidence and control, using less pesticide.

Electronic sensors connected to a central computer and buried in the soil will improve irrigation systems by determining evaporation rates, salinity levels and runoff. Other sensors attached to farm equipment will control the application of chemicals by adjusting the rate of spray to compensate for slippage of tractor tires traveling over rough terrain.

All of the new technologies have a common effect. They will allow U.S. farmers to compete more effectively against countries that enjoy lower production costs due to cheaper labor or superior natural resources.

With new technology, Phillips says, the owner of a large wheat operation in Kansas, for example, ". . .is going to be very hard to beat no matter where you place him in the international market." And that is true for large, progressive producers of most other major commodities as well.

Farm Structure May Change

But Phillips also warns of major structural changes in U.S. agriculture as a result of new technology. For the most part, large operations will be the first to implement the new techniques and the first to reap the benefits. Lags in technology adaptation and higher costs will prevent many small- and medium-sized farms from following suit.

As a result, the study predicts that in the next 15 years, many medium-sized farms (those with sales of $100,000 to $250,000) will go out of business while the number of large farms with sales of $250,000 or more will increase threefold. The proportion of small subsistence and hobby-sized farms should remain about the same.

According to the study, by the year 2000, the nation's 50,000 largest farmers will produce 75 percent of all the food and fiber grown in the United States, compared with just under 50 percent today. They will control 60 percent of all arable land as well.

Large-Scale Farmers Profit Most

Phillips says new farm technology will have its biggest impact on sectors with large economies of scale. Sectors like dairy, corn and wheat receive a relatively high payoff per unit of investment on operations. That gives these farms the biggest economic incentive to incorporate new technology quickly, leaving their smaller sized counterparts behind.

If people want to see medium-sized farms survive, along with the rural communities they support, the study says new federal policies will need to be created. It goes on to outline possible policy adjustments directed toward each class of farm operation: large, medium and small.

Some of the report's suggestions on policies toward large farms are as follows:

—Eliminate direct government payments. Large-scale farmers do not need direct government payments or subsidies to survive.

—Expand international development assistance programs to increase economic growth in developing countries and create future markets for U.S. exports.

—Maintain balanced macroeconomic policies to facilitate exports (by controlling the value of the dollar) and a low real rate of interest.

Policy suggestions directed toward moderate-sized farms include:

—Provide income protection through either the current target-price program or through the use of a device known as a marketing loan which allows the holder of a commodity loan to pay back the lesser of the loan value or the market price of the commodity.

—Provide educational programs on such risk-reducing techniques as hedging, forward contracting and cooperative marketing.

—Direct the Extension Services toward moderate-sized farmers when providing technological services to ensure simultaneous adoption of new technologies with large-sized operators.

Whether these policies are instituted or not, the study predicts a drop in the number of medium-sized farm operations. There is an opportunity then for the government to create a smoother transition for those farmers going out of business. Actions suggested include:

—Explore new opportunities within agriculture as the industry changes and develops.

—Establish financial assistance similar to the G.I. bill to help displaced farmers while they learn new skills.

—Provide job training programs in those areas where employment opportunities are growing, including education, health care and care for the aged.

The technological revolution is underway, says Phillips, and should be encouraged. New developments in agricultural science can help the United States regain lost export markets.

But these new developments also will create major structural changes that may be damaging if not accompanied by new Federal policies. Phillips says we can have international success and moderate-sized farms as well, if we are willing to pay the price. ■

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New Agricultural Technologies

Here are just a few examples of the ways in which agricultural technology is helping to make U.S. agriculture more competitive.

Protein production: Once obtainable only from animal and human organs, micro-organisms like hormones, enzymes and amino acids can now be produced more economically through biogenetics. These biological products are used for detection, prevention and treatment of diseases and for increasing animal production efficiency through growth hormones.

Gene insertion: Genes for desirable traits such as growth or disease resistance are injected directly into either of the two pronuclei of a fertilized egg, allowing future generations to be endowed permanently with these traits.

Embryo transfer: A superior animal that has been injected with a hormone to stimulate the production of more than the normal number of eggs per ovulation is artificially inseminated. The resulting embryos are removed nonsurgically for implantation into surrogate mothers who carry the offspring to term. Prior to implantation, the embryos can be sexed, split (to form twins), fused with embryos of other animal species or frozen in liquid nitrogen and stored.

Plant propagation: Cell culture methods for regeneration of intact plants from single cell or tissue explants will be used routinely for propagation of vegetable, ornamental and tree species. These methods can provide large numbers of genetically identical, disease-free plants with superior growth and more uniformity than seed-grown plants.

Genetic modification: DNA materials carrying desirable traits such as storage of protein can be taken from one plant and introduced into another.

Electronic animal identification: An electronic device called a transponder will be affixed to farm animals at birth, allowing computers to identify the animal and provide feed rations mixed for it automatically.

Irrigation control systems: A network of sensors with radio links to a central computer is buried in irrigated fields sending information on soil percolation, moisture levels and runoff rates. The computer allocates varied amounts of water to different portions of the field, based on this information.

Radar and computers: By integrating tractor slippage and chemical flow, computerized radar systems will allow fertilizers, pesticides and plant regulators to be applied more efficiently.

Turkey's Liberalized Policies Open Doors for Imports

By Abraham Avidor

In recent years, Turkey's civilian government has greatly liberalized the country's trade policies and regulations, in line with its overall market-oriented approach.

For the nation's agriculture, the simplified import measures have mostly entailed removal of all import bans and duty reductions on bulk commodities. These moves, started in early 1984, are primarily intended to control domestic inflation and support exports of value-added products. Turkey's continuing currency devaluation also has helped spur overall export growth.

Turkey's current five-year plan aims at enhancing value-added exports, thus reducing those of bulk commodities. To achieve this goal, present trends in import liberalization of bulk commodities and currency devaluation are expected to continue.

At competitive export prices, this could provide opportunities for U.S. bulk commodity exports, and for U.S. exports meeting the growing needs of the Turkish poultry and livestock sectors.

U.S. Exports to Turkey Rebounding

With the aid of export credits, U.S. farm exports to Turkey surged to a record $283 million in calendar 1984, with wheat ($139 million), barley ($64 million), corn ($28 million), soybeans ($13 million) and tallow ($12 million) the principal products.

In 1985, U.S. agricultural exports to Turkey dropped sharply to $62 million, with most of the decline occurring in wheat which fell to only $16 million. The falloff reflected uncompetitive U.S. wheat export prices, large purchases from Argentina and, to a lesser extent, from France and the strong value of the dollar.

Turkey's recent import decisions indicate that it is price conscious and that credit alone does not assure purchases from the United States. In fact, Turkey did not utilize about 90 percent of the $183 million in export credit guarantees available to it in fiscal 1985.

For 1986, U.S. agricultural exports to Turkey are turning upward again. In fact, for the first five months of the year, export sales to Turkey surpassed the 1985 total by nearly 30 percent.

With the announcement of an Export Enhancement Program (EEP) in October 1985, Turkey was able to buy 500,000 metric tons of wheat at competitive prices.

An additional 500,000 tons of wheat were announced under the EEP in May 1986, allowing Turkey to continue purchasing wheat from the United States at favorable prices. These purchases have been supported with credit guarantees from the GSM-102 program.

An EEP for 5,000 head of dairy cattle was announced in April of this year. As a result, a Turkish livestock team visited the United States in early July. The team expressed interest in buying up to 30,000 head of U.S. dairy cattle over the next three years.

So far in 1986, some $142 million in GSM-102 export credit guarantees for Turkey have been announced, including $120 million for wheat, $12 million for corn, $5 million for tallow, $3 million for dairy cattle and $2 million for semen.

Dominated by oriental toabcco, U.S. farm imports from Turkey have risen in recent years. In calendar 1985, imports were valued at $213 million—mainly tobacco leaf ($172 million), dried apricots ($11 million) and filberts ($9 million).

Turkey is a major producer and exporter of filberts, cotton, pulses, oriental tobacco, raisins and apricots.

In the Middle East, North Africa and the European Community, where it benefits from a transportation cost advantage, Turkey competes with the United States in the export of cotton, pulses and dried fruit.

U.S. Export Potential

The potential for an across-the-board expansion of U.S. agricultural exports to Turkey is limited by Turkey's self-sufficiency in many agricultural products.

Therefore, future growth in U.S. agricultural exports to Turkey will depend primarily on price competitiveness, credit allocations, growth in Turkey's livestock and poultry sectors and fluctuations in Turkish wheat output.

Despite a considerable increase in soybean production in recent years, the country's rapidly rising feed requirements could eventually create greater demand for imports of U.S. corn, soybean meal and soybeans for crushing.

The expanding poultry sector is also creating an opportunity for increased exports of U.S. baby chicks. Turkey's growing livestock sector is receiving more government investment, thus accounting for the interest in importing U.S. cattle.

There is also a growing demand for vegetable oils, particularly soybean oil, a major ingredient for margarine production. Currently, Turkey is importing most of its soybean oil from Spain. At competitive prices, U.S. exporters of soybean and other vegetable oils could enter the Turkish market.

Turkey Reduces Its Tariffs

Turkey is a member of the General Agreement on Tariffs and Trade (GATT) and hence grants U.S. imports most-favored-nation treatment.

Turkey did not make tariff concessions in the Tokyo Round of the Multilateral Trade Negotiations, but in recent years has generally lowered its tariffs in accordance with its own annual import regime.

In 1985, tariff rates were eliminated on some bulk commodities used for further processing, such as corn, rice, soybeans, tallow and cotton. In addition, tariff rates were reduced on products in which Turkey is not self-sufficient. In early 1986, tariff rates were primarily reduced on processed foods, including meats and fruit.

In addition to customs duties, food imports are subject to import taxes. Despite its ongoing liberalization program, Turkey's tariff plus tax protection on some processed agricultural products has remained quite high.

Non-Tariff Measures Also Liberalized

Under Turkey's import regime, controlled agricultural imports are subject to specific import license or surtax, which often is quite high. All non-controlled goods can be imported freely by qualified importers following receipt of foreign exchange and payment of customs duties and taxes.

Under the revised 1985 import regime, all previoiusly banned agricultural items were made subject to licensing. In addition, the list of agricultural products under license was further reduced in 1986.

At present, this list mostly covers products of relatively new processing industries whose growth Turkey wishes to foster, such as certain meats and fruit and vegetable preparations.

The list of products subject to import surtax was enlarged this year. It presently consists of luxury goods and infant industry products deemed to require protection, including tropical fruits, cocoa products, meats, dairy products and vegetable oils.

In general, the degree of surtax protection appears to reflect market needs, commodity inflationary pressures and complaints from domestic industries.

Relatively unrestricted imports, such as many bulk commodities, are intended to moderate domestic price inflation and promote processed food exports while forcing local producers to become more competitive. ■

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California Is Top Exporting State

This is the first in an occasional series on major exporting states. The articles are adapted from materials distributed by the National Commission on Agricultural Trade and Export Policy, as well as USDA data.

California is now the top agricultural exporting state, shipping some $2.7 billion worth of agricultural products during fiscal year 1985.[1] This is the first time since state export shares were first estimated in 1964 that a state other than Illinois or Iowa has led the list of exporting states.

The reason behind California's leap from third largest exporter only a year earlier to the top of the list lies in the general trend in agricultural exporting. Agricultural export contributions of most states fell in fiscal 1985 as total U.S. agricultural exports declined in the wake of excess global production, lower prices for most bulk commodities and a strong dollar.

However, most of California's exports are of fruits, nuts and vegetables, which as a whole remained unchanged in value from a year earlier, pushing California to the top of the exporting list.

Focus on California's Variety

Agriculture is California's leading industry. The state's diverse geography and climate make it possible for California farmers to grow more than 200 different crop and livestock commodities for markets both at home and abroad.

Exports account for 15 percent of the state's total cash receipts from farm marketing.

Agricultural exports create thousands of jobs in California in such diverse areas as farming, freight forwarding, insurance, food processing, transportation and banking.

Fruits Are Top Export Item

Exports of fruits and fruit preparations head the list of California's exports. California accounts for 53 percent of total U.S. shipments of this product category. In fiscal 1985, these exports were valued at roughly $680 million dollars, about one-quarter of all of California's exports.

[1] October 1984-September 1985.

California's fruit exports include oranges, either fresh or as frozen concentrate and juice to consumers in Canada and the Far East; grapes; and California wine (primarily to Canada, the United Kingdom, Japan, West Germany, the Bahamas and Colombia).

California also accounts for 100 percent of U.S. shipments of apricots, dates, figs, kiwifruit, olives and prunes, virtually all avocados, roughly four-fifths of all peach and lemon exports, as well as a hearty share of tangerine, pear and grapefruit exports.

Tree Nuts Also a Major Export

Tree nuts were the second largest type of exports in fiscal 1985—$490 million worth. Almonds make up the largest nut category and in general, California's almond shipments account for 60 percent of the world's trade. Primary overseas markets for almonds include the European Community and Japan.

Along with almonds, California farmers produce virtually all of the U.S. pistachios and walnuts. European countries take the lion's share of walnuts, while pistachios are exported to both Europe and the Middle East.

Cotton Exports Still Strong

Cotton was California's third largest agricultural export, valued at $441 million. The state ranks as the second largest exporter of cotton, with roughly one of every five bales shipped abroad. Primary export markets for California cotton are the textile industries of Japan, Korea, Taiwan, Indonesia, Hong Kong and Thailand.

One reason for California's success as a cotton exporter is that valuable research and crop development efforts have been

largely devoted to improving one variety of cotton—acala cotton. As a result of technological improvements, acala cotton is extraordinarily productive and disease resistant. Consequently, foreign buyers look to California for cotton that is of uniform fiber, length and spinning quality.

The fourth major category of California exports is vegetables and preparations. Exports in this sector totaled just over $400 million. California farmers produce roughly 29 principal vegetable crops ranging from avocados to tomatoes. While tomatoes, lettuce and onions contribute the most to the state's cash receipts from exports, other commodities, such as broccoli and garlic, account for 90-100 percent of U.S. export volumes for these commodities.

California Leads All States As Top Exporter
(In billion dollars)

Rank	State	1985[1]	1984[1]
1	California	2.7	2.8
2	Iowa	2.5	3.3
3	Illinois	2.3	2.9
4	Texas	2.0	2.6
5	Nebraska	1.8	2.2
6	Kansas	1.7	2.2
7	Minnesota	1.6	2.1
8	North Dakota	1.3	1.9
9	Indiana	1.3	1.5
10	Ohio	1.1	1.3

[1] Fiscal year data.

California is also a major exporter of many other agricultural products, including wheat and rice ($156 million and $113 million, respectively,) and seeds. In addition, timber and wood products, primarily paper, paperboard and related products, account for a hefty portion of the state's export activity. Principal markets include Japan, Korea, Mexico and Taiwan.

California Is Promotion-Minded

In 1983, California's state legislature created the California State World Trade Commission to improve the promotion of the state's products in overseas markets.

This Commission, along with the California Department of Food and Agriculture, promotes California exports in a variety of ways, including participation in major agricultural export events such as the Foodex Exhibition in Tokyo.

In addition, the state provides technical assistance to agricultural exporters at every phase of the export process, whether it is on transportation, foreign restrictions on products or legal aspects of international trade. ■

Export Companies Can Help Expand Foreign Sales

Export management companies (EMC) or export trading companies (ETC) can help domestic companies expand exports in a number of ways.

Traditionally, the export management company, as the name implies, managed exports for other companies and did not take title to goods or trade on its own account.

The EMC acted as the export department for another company, taking over most of the technical export responsibilities. The EMC found buyers in foreign markets, negotiated the sale including delivery and payment terms, prepared export documentation, handled document transmittal, collected from the buyer and remitted funds to the supplier.

The EMC usually was paid commission but may also have received a salary, a retainer plus commission, or other compensation negotiated in advance with the supplier. Payment risk and title, however, usually remained with the supplier.

In exporting food products, EMC commission arrangements are declining and account for only a small percentage of sales. Both suppliers and exporters now prefer that the EMC take title to goods and accept the accompanying risks.

ETCs Provide Many Services

Today's export trading companies are characterized as principals in the export of goods and services. They purchase products from suppliers, export the product and collect from buyers. They conduct all export-related activities plus assume title and payment risk. Compensation for their services comes from the difference between their buying and selling prices.

Most food-related export companies are small, with revenues under $10 million and fewer than 20 employees. Even so, they provide a wide range of export services. Their major contribution to the export process is long experience in international trade, and many contacts with potential foreign buyers.

A typical export company has been in business for 15 to 20 years, and has principal traders with more than 20 years' experience. It is common for a small export company to have contacts with 100 or more foreign buyers, and purchase products from 20 to 80 sources. Larger companies may sell to more than 200 buyers.

While export companies may be located anywhere, most are concentrated at port cities. Fresh fruit and vegetable exporters are concentrated near production areas to facilitate grower contact and to inspect produce.

Export companies seldom conduct formal market development. They rely on experience and extensive contacts with foreign buyers to test new products.

Many export companies avoid products requiring long-term development or much training or consulting on how to handle, process or use them.

Regional Focus Is Common

Most export companies concentrate their trade in a few regions. This regional focus usually arises from how exporters establish markets. Export companies with regional marketing rights to a major branded product emphasize complementary products in those same markets. Buyers encourage this by asking exporters handling the branded product to supply it with other products. This also saves on transaction and transportation costs.

Export companies are most interested in high-quality, nationally advertised products because of the foreign demand for advertised products.

Most companies prefer exclusive rights to export a product. This may free the exporter from cut-throat price competition that may otherwise occur. If a product requires much market development, the exporter may require exclusive rights to protect against the high cost of developing sales. Marketing agreements of one to three years are common.

Exporters usually acquire goods from the supplier much as they would in a domestic sale. The exporter takes title to the goods, prepares documentation and ships to the foreign buyer. The exporter assumes risk of collections and may provide short-term financing.

Export Companies Handle Many Agricultural Products

Although export companies usually specialize in a few related products, they may also deal in a large number of different items. In the food and agriculture sector, exporting companies specialize in three major areas: processed food products; fresh fruits; vegetables and nuts; and bulk grains, oilseeds and related products.

Processed Food Products

Processed food product companies are the largest group. Their expertise lies in exporting products in consumer-ready packages for retail sales and in institutional food service products.

This group of companies prefers well-established branded consumer products. Foreign buyers with access to U.S. trade and food industry magazines often see products advertised that they believe will sell in the markets they serve and request these products by brand. Brand name requests also are used to assure product quality.

Because of strong brand preference by foreign buyers, there is intense competition by export companies to obtain trading rights to these products.

Successful exporters in the processed food products group usually have obtained representation rights to one or

EMC Pros and Cons

There are several advantages to using export companies. Perhaps the most significant is faster foreign market penetration with a lower initial investment and less risk. Small suppliers may not be able to effectively export without using these companies.

Other advantages include lower costs to some markets, quicker payment for goods exported, distribution to more markets and nearby expert advice if export problems develop.

more nationally advertised products. The exporting companies may represent the product worldwide, although it is more common to represent it in selected regions. Although desired, the export company may not have exclusive rights even in the markets it serves.

Export companies with exclusive rights to a nationally branded product are more willing to incur expenses and take the time needed to conduct market development in foreign markets. If a significant expenditure of time and money is expected, an export company may require a long-term agreement or a retainer.

Extended marketing agreements are usually for one to three years, with the shorter periods being more common. Terms of an agreement can be quite flexible and are subject to negotiation with each supplier, and perhaps in each region or market.

Marketing agreements are usually contained in letters of understanding. Formal written contracts are seldom prepared, except where large market development expenditures are likely to be incurred by the exporter.

Fresh Fruits, Vegetables and Nuts

Companies that export fresh agricultural products tend to be located near production areas. The largest concentration in the United States is in California, and within California, the San Francisco Bay area.

While still important, brand identification is less a factor for fresh than for processed products. Products are often purchased based on U.S. Department of Agriculture grades specified in the sales contract. Branded products, however, are sometimes requested by buyers to help ensure quality.

Companies that export fresh products make significant efforts to ensure consistent product quality to buyers. Larger companies often employ field inspectors to examine the product at packing houses. Buyers may request product from packers with reputations for high quality. Of course, price must be competitive.

Bulk Grains, Oilseeds and Related Products

While fewest in number, these companies are largest in volume of sales. This sector is dominated by large multinational export companies. Economies of scale preclude small companies from having anything but a peripheral role in exports of grains and oilseeds.

Other Commodities

Two commodities that do not fit neatly into the other classifications are cotton and rice. Several exporting companies specialize in cotton exporting. While U.S. cotton is usually exported as a bulk, unprocessed agricultural product, marketing requirements for quality usually make selling methods more like those for processed food products than those for bulk grains and oilseeds.

Several regional cotton marketing cooperatives make export sales of cotton through Amcot, a joint marketing agency. This joint arrangement provides centralized representation by Amcot personnel in foreign markets, while each individual cooperative continues individual merchandising by its home sales staff.

Rice may be marketed as a processed food product or as a bulk grain. When marketed like a processed food product, rice is usually packaged in bags, and often shipped in containers. Many exports are prepackaged for retail consumers or institutional use. Shipping is often via scheduled ocean liners. Sales contracts specify qualities, and are usually in smaller lots than bulk grains are.

When rice is marketed as a bulk grain, it may be bulk loaded into ships but is usually bagged. Sales quantities are usually large. Ocean shipping is typically via charter ships. Exporters of bulk grains and oilseeds often market bulk rice as well.

On the other hand, there are several disadvantages to using export companies. The supplier has less control over handling, distribution and pricing. Large suppliers may find it less costly to conduct their own export operations.

Some export companies serve only a few markets, and a supplier shipping to many markets may need several export companies. Also, many export companies are not well equipped to do market development of new or specialized products.

Finally, low margins on food products may make some exporters give preference to nonfood products. More highly processed food products usually carry higher margins, and may receive more attention from export companies.

Supplier Support Essential

Regardless of the product exported, companies that buy and sell for their own account and those that sell on commission stress the need for support from suppliers.

Even though the trading company may take title and bear the risk of delivery and collections, it is important that a supplier cooperate with respect to product quality, continuity of supply and label content.

The supplier must be willing to modify product, packaging, shipping schedules or other items to adapt to foreign market preferences. This requires that the supplier be committed to exporting over the long term. ■

This article is adapted, with permission, from the report "Using Export Companies To Expand Cooperatives' Foreign Sales" by Arvin R. Bunker and Tracey L. Kennedy of USDA's Agricultural Cooperatives Service.

U.S. Exporters Have Cracked Dutch Nut Market

By Christian J.M. Langezaal

While the Dutch enjoy a variety of nuts for snacking and baking, the Netherlands itself does not produce any tree nuts or groundnuts. To meet its demand for nuts, the country is completely dependent upon imports. And the United States is the source for the majority of nuts imported by the Netherlands.

Through the years, the United States has been an important supplier of a wide variety of nuts, including peanuts (groundnuts), almonds and walnuts to to the Netherlands. Dutch nut imports have risen from 40,000-50,000 metric tons in the mid-1970s to over 100,000 tons today, reflecting an average annual growth of some 5 percent.

The Dutch market for nuts is a growing one. The United States has the potential to dominate in most areas of this market. An increase in promotional activities could dramatically increase U.S. influence in the Dutch nut market.

Demand for Peanuts Faces Competition

The Dutch are nuts over peanut butter. They consume a large enough quantity relative to their small population that they have become the highest per capita consumers of peanuts in the world. Nearly one-half of the peanuts are consumed as snacks, while the rest are split about evenly between peanut butter and sate sauce, and the bakery and chocolate industries.

While the United States has traditionally been the most important supplier of peanuts to the Netherlands, its position could change. Argentina, the second largest supplier of peanuts to the Netherlands, has seen a rapid growth in demand for its products in recent years and may soon become the primary exporter.

U.S. Holds Large Share in Dutch Almond Market

The Netherlands imports almonds primarily for confectionery purposes. About 70 percent of all imported almonds is futher processed into almond paste and/or marzipan. The other 30 percent is about equally divided between use by the chocolate and baking industries, and by

consumers for snacking. U.S. imports of almonds by the Netherlands have been fairly stable over the years at just under 6,000 tons per year.

U.S. Dominates In-Shell Walnut Market

The Netherlands imports in-shell walnuts in the fall of each year for the Christmas holiday season, and sells them to the consumer in net bags for direct consumption. After December 31, consumer interest in this product vanishes, except in the two northern provinces of Friesland and Groningen where walnuts are popular around Easter. The United States is by far the most important supplier.

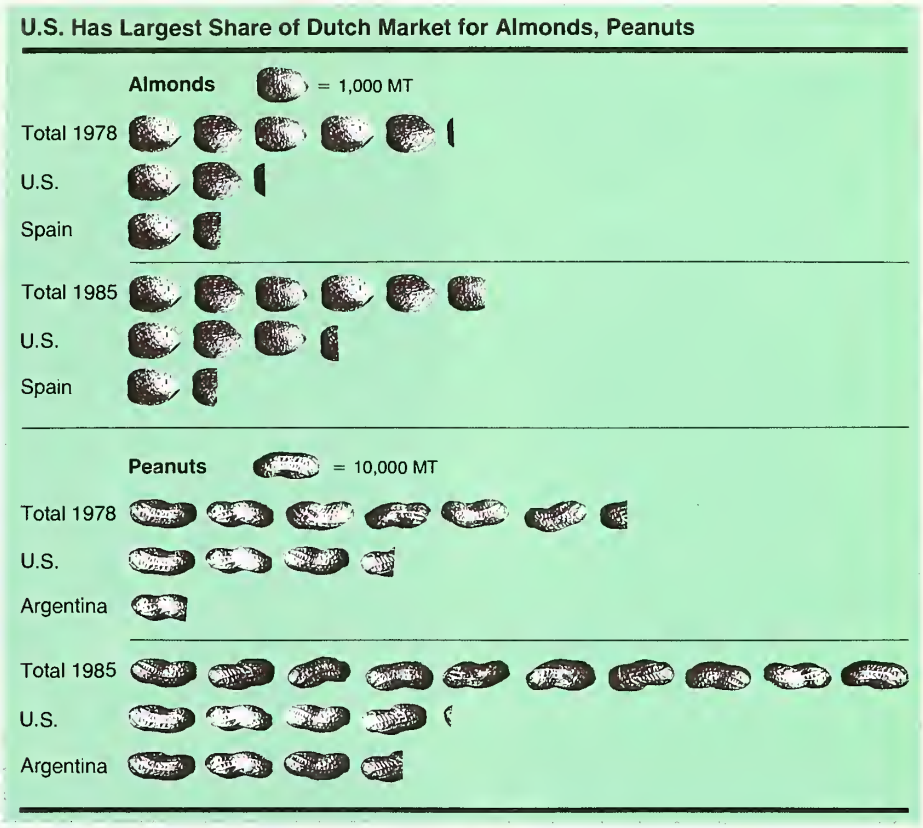
The European Community raised the import duty on in-shell walnuts from 8 to 30 percent in November 1985. U.S. exporters suffered some losses in 1985 due to this increase. The decline in the value of the dollar has left the price on in-shell walnuts to the importer at approximately the same level it was prior to the duty. Therefore, while U.S. exporters may not be hurt as long as the dollar remains weak, they have not benefited in terms of increased volume or higher prices.

The Netherlands imports shelled walnuts mostly for bakery use. France and the United States are the most important suppliers to this market.

Demand Is Less for Other Nuts

Pistachios are relatively unknown in the Netherlands, having never been aggressively promoted. Both the appearance and cost of the nut have made Dutch consumers hesitant to buy it.

The pecan also is a relatively unknown tree nut in this country. It is imported mostly for its attractive red color (when polished) and is used in a mixture of nuts,



packaged in a net bag. The pecan is considered an expensive nut, which diminishes its appeal.

Hazelnuts are imported mostly to make hazelnut paste or cream used in the chocolate and baking industries. Turkey is the dominant exporter of hazelnuts to the Netherlands. The U.S. share of this market is insignificant. ■

The author is with the U.S. Agricultural Affairs Office, The Hague.

"EAT & DRINK AMERICAN" Campaign Is Success in West Germany

By Hilton P. Settle

A large-scale "EAT & DRINK AMERICAN" retail food promotion in West Berlin earlier this year is expected to generate close to $1 billion in sales for U.S. food and beverage exporters in Germany over the next year.

The promotion, which took place in roughly 100 stores of the Bolle retail food organization, was implemented by the U.S. Agricultural Trade Office in Hamburg after almost a year of discussions and planning. It was the first such activity in over 20 years for a large variety of U.S. foods on the West German market.

The U.S. food and beverage products promoted during the event included California wines (three varieties/two brands), raisins, dried prunes, prune juice, soft drinks, whiskey (two brands), turkey livers, thighs and drumsticks, rice, orange juice concentrate, canned corn and kidney beans.

Other items promoted were popcorn (raw and popped), flavored popcorn (seven different varieties), almonds (four different flavors), Red Delicious apples, fresh pears, canned California cling peaches, fresh grapefruit, grapefruit juice and striploin and sirloin steaks.

As a direct result of this first "EAT & DRINK AMERICAN" retail campaign, consumer sales of the 30 U.S. food and beverage products during the two-week promotion amounted to approximately $445,000.

12 New U.S. Products Listed

In addition, 12 of the U.S. products promoted have now been listed by the Bolle chain in Berlin, resulting in further sales of approximately $132,000 during the three months following the promotion.

These new items were prune juice, dried prunes, raisins, raw popcorn, canned kidney beans, all four flavors of almonds and striploin and sirloin steaks. Prior to this promotion, Bolle carried only three U.S. food and beverage items.

The promotion was advertised under the "EAT & DRINK AMERICAN" logo in the three leading West Berlin newspapers three times during the two-week period.

Special in-store promotional materials featuring the new logo were also printed. These included posters, labels, flags, streamers and a consumer information brochure with recipes using U.S. foods.

New York City Trip Offered

The Bolle organization also sponsored a contest for its consumers during the promotion, featuring a grand prize of a trip for two to New York City.

Bolle has 72 stores in the Hamburg area (including 35 stores recently purchased from Safeway). As a result of this successful promotion, some U.S. foods may be added to the present product lines of the Hamburg stores.

The flavored popcorn products, for instance, have already been listed. These listings by the Bolle chains in West Berlin and Hamburg represent the first retail sales of these U.S. popcorn products, which were introduced at the ANUGA 1985 U.S. Food Exhibit. Similar promotions of U.S. food and beverage products are planned in the near future. ■

The author is U.S. agricultural trade officer in Hamburg. Tel. (011-49-40) 341-207.

New Market Guide Profiles West German Essential Oil Market

A market guide for U.S. exporters of essential oils to West Germany has recently been prepared by the U.S. Agricultural Trade Office in Hamburg. According to the guide, the market for essential oils in West Germany is large, and in some areas, growing. Most imports are handled through import agents, since the majority of essential oil users need quantities sufficient to meet only their own production requirements.

The market guide provides statistics on West German imports and exports of essential oils during 1981-85. It considers only those essential oils imported from the United States. These are peppermint and other mint oils, sweet and bitter orange oil, lemon oil, other citrus oils, conifer needle oil, other essential oils, resinoids and mixtures of fragrances and aromas, both natural and synthetic.

Hard Times for U.S. Oil Exports

The guide explains that U.S. exporters and West German importers have experienced difficult times, especially in 1985. These were brought about by the high value of the dollar relative to foreign currencies, as well as fluctuations between the dollar and the Deutsch Mark (DM).

As a result, U.S. shipments of almost all types of essential oils declined in 1985. However, West German imports of U.S. mixtures of fragrances and aromas, both natural and synthetic, increased during this period.

U.S. Exports of Oils Decline in 1985

German imports of peppermint and other mint oils from the United States fell by 32 percent in 1985, but because of lower total imports, the U.S. market share declined only to 24 percent, compared to an overall 31 percent decline in 1984.

Citrus oil imports from the United States also fell 28 percent in 1985, resulting in a decline in U.S. market share from 14 to 9 percent. U.S. shipments of mixtures of fragrances and aromas, both natural and synthetic, actually increased in 1985 by 34 percent.

For further information on exporting essential oils to the German market, contact the U.S. Agricultural Trade Office in Hamburg, West Germany, Tel. (011-49-40) 341-207. ■

U.S. Has Big Share of West German Essential Oil Imports
(100 kilograms)

	1981	U.S. Share (Percent)	1982	U.S. Share (Percent)	1983	U.S. Share (Percent)	1984	U.S. Share (Percent)	1985	U.S. Share (Percent)
Mint[1]	4,099	24	3,661	24	5,197	20	4,007	31	3,544	24
Orange[1]	20,370	12	20,969	8	20,605	9	19,282	13	24,461	8
Lemon[1]	1,770	13	1,560	10	1,763	8	2,107	18	1,774	13
Other citrus[1]	3,013	9	1,838	27	1,528	22	1,815	25	925	24
Conifer[1]	654	—	1,595	—	607	—	837	8	785	6
Other essential[1]	9,223	4	6,971	12	9,580	11	8,277	10	7,182	11
Resinoids	2,192	6	1,858	3	743	5	1,231	20	904	15
Fragrances & aromas:										
Food	39,126	8	39,908	8	44,153	5	44,723	3	60,631	5
Industry	40,460	6	47,564	7	53,825	8	60,549	7	59,213	7

[1]With terpene.

Country Briefs

Jamaica

Campaign To Spur Dairy Output Creates Demand for U.S. Breeds

The Jamaican Ministry of Agriculture recently announced a four-part program to improve local milk production. This would provide U.S. exporters with an excellent opportunity to export high-quality U.S. dairy cattle.

The genetic base of Jamaica's dairy herd has not changed in 40 years and there are increasing problems with inbreeding. As a result, milk production has been declining. Jamaica is looking for animals which will be compatible with the Jamaica Hope breed—which is a cross between the Indian breed (for tropical tolerance) and the British Jersey (for milk production).

Jamaica is interested in importing between 6,000 and 8,000 dairy cattle over the next two or three years. Jersey is the most desired breed, based on higher survival and lower infection rates, with Brown Swiss next and then Holsteins.—Marvin L. Lehrer, Agricultural Attache, Santo Domingo.

Tunisia

Seed Imports Rise Rapidly; Opportunities for U.S. Grow

Tunisia's imports of seeds in 1985 totaled nearly 23,000 metric tons, valued at $64 million. This was a 50-percent increase in quantity and a 64-percent increase in value from the year before. The market for seeds in Tunisia is expanding due to the government's policy of encouarging production of fruit, vegetables and forage crops, and expanding irrigation to new lands.

At present, the main Tunisian imports have been of seeds for potatos, pulses, forage crops and vegetables. Seeds of major interest include forage crops, such as sorghum, corn for silage, vetch alfalfa and various grasses, both irrigated and non-irrigated. Seeds of chick peas and soybeans are also of interest, as are fruit tree seedlings (such as apples and pears).

For U.S. exporters interested in breaking into the Tunisian market, commercial seed imports are handled by a number of governmental and semi-governmental organizations. The National Institute of Agronomic Research (INRAT), which is part of the Ministry of Agriculture, determines which seed varieties may be imported. Formal approval is made by an interministerial committee after receiving the advice of INRAT. Exporters interested in listing new varieties must contact INRAT, send seed samples and also send an application fee of $240 each year per variety.

Normally, field tests must be performed by INRAT for three consecutive crop cycles before the variety can be approved for import and listed in the official seed catalogue. When a new variety is approved, this fact, as well as the name of the applicant for approval, will be listed in Tunisia's Official Journal.

It helps to maintain contact with INRAT during the testing period. U.S. exporters with varieties to test may wish to either visit Tunisia periodically to check on progress, or make an agreement with a local agent (such as one of the local seed importing firms) to be sure that action is proceeding on the variety.—Thomas Pomeroy, former Agricultural Trade Officer, Tunis.

Egypt

Demand Continues Strong For U.S. Soybean Meal and Oil

Egypt continues extremely short of protein meals, creating good sales opportunities for U.S. exporters. Feed use in Egypt has been growing strongly as the demand for meat has grown. The Egyptian government has encouraged increased local meat production and this, together with strong meat prices, have pushed oilseed meal prices to all-time highs.

Soybean meal is the only oilseed meal imported into Egypt. Purchased by the private sector, it is sold to private feed mills. Most soybean meal is used by the still-growing poultry sector. However, a great deal of potential still lies in the beef and dairy sectors. Imports are expected to continue growing as a result. Oilseed meal imports totaled 300,000 tons last year and are projected to reach 400,000 tons in 1986. Meal from U.S. soybeans is preferred over the Brazilian product and the United States is, in fact, the largest supplier of meal to Egypt; most of it transhipped through Rotterdam. Imports from the United States totaled 113,000 tons last year and may increase further this year.

Most meal is still imported in bags in small shipments, but more bulk shipments are occurring because of the installation of a new floating elevator at Abu Keer near Alexandria.

There also is growing demand in Egypt for vegetable oil. Egypt's population is increasing by 1 million persons every nine months and is now over 50 million. Most of the vegetable oil consumed is imported, and imports are likely to continue in the future. The traditional preference in Egypt is for cottonseed oil. Soybeans, being relatively new, for the most part are not crushed and refined properly, and soybean oil is less popular with Egyptian consumers.

Prices for most oilseed products are kept low through government subsidies, and the mix available to consumers will continue to depend on production and import policies.—Gerald W. Harvey, Agricultural Counselor, Cairo.

Singapore

Launch of New Product Could Boost U.S. Chicken Sales

McDonald's restaurant chain recently sales-tested a new menu item—chicken wings—in Singapore, marking the first time a product has been developed in Singapore and the first time the parent company has approved the sale of a locally developed product.

The chicken wings were conceived and develolped in Singapore after two years of research and development with McDonald's International food consultants. The chicken wings come from the United States, where they are marinated, then shipped directly to Singapore. A serving size is five chicken wings for roughly US$1.15.

McDonald's already lays claim to half of the roughly $23 million fast-food market in Singapore.—Peter O. Kurz, Agricultural Trade Officer, Singapore.

Korea

Rapeseed Imports Could Cut Into U.S. Soybean Sales

Korea has announced it is opening the door to imports of rapeseed for use in food products. Although the quantity involved in this decision is not great (a 12,000-ton quota during July-December 1986), this is an important step forward for those working to introduce rapeseed oil to Korean edible oil-consuming industries. It is also a development that bears close watching by U.S. soybean exporters, since rapeseed oil could displace soybean oil in the Korean marketplace.

U.S. soybean exports to Korea during September 1985-April 1986 totaled nearly 674,000 tons, up 36 percent from the same period a year earlier. In addition, the United States exported over 43,000 tons of soybean meal to Korea during the same 1985/86 period, compared with none a year earlier.

The imported rapeseed will be allocated to domestic soybean crushers, with the pricing mechanism and system of imports still to be worked out. The direct competitive impact of rapeseed imports on soybean purchases will depend on two factors: The price of the rapeseed to crushers, after surcharges or other pricing arrangements are determined, and whether the government decides to expand the import quota next year.

If the price to crushers turns out to be relatively high in relation to soybean prices, crushers will probably blend the rapeseed oil into existing vegetable oil products and will resist expansion of rapeseed imports in the fuuture.

Rapeseed is a minor crop in Korea, with annual production totaling about 5,000 tons a year and declining. Korea has not developed low erucic acid rapeseed varieties, so rapeseed oil has not been used in food products here. However, it is possible that imported rapeseed will be subject to some form of special taxation, the proceeds of which will be directed toward programs to develop and encourage cultivation of high-yielding, low erucic acid rapeseed varieties in Korea.—Daniel B. Conable, Agricultural Counselor, Seoul.

Malaysia

Bright Outlook for Textiles Improves Chances for U.S. Cotton

The 1986/87 outlook for U.S. cotton sales to Malaysia appears promising, given the much more competitive U.S. prices anticipated for the 1987 marketing year as a result of the 1985 farm bill. In fact, the U.S. market share is expected to recover to its normal level of about 40 percent, from a 10-percent share during the 1985/86 marketing year. Malaysia imported a total of 126,000 bales of cotton from all sources in 1984/85.

Malaysian spinners are anticipating a gradual upturn in the world textile market in 1986/87 and their consumption of cotton is expected to increase. In 1985, Malaysia's textile garment export earnings reached an all-time high of $536 million, a record performance led by a steep rise in textile and garment sales to the United States. Exports to the United States increased more than sevenfold during 1985.

A development that bears watching is the emergence during the past year of Australia as an important supplier to Malaysia's cotton spinners. From a mere 23 tons in 1984/85, Australia captured 17 percent of the market during the first half of 1985/86, thus becoming the third largest supplier after the United States and the Ivory Coast. Australian cotton has the quality to match the Tanzanian long staples. However, Australian production is very much geared to its domestic market and the availability for exports is somewhat limited.

On a smaller scale, Chinese cotton also has made further inroads in the Malaysian market. China is now the fifth largest supplier. While inconsistent quality as well as unreliable shipping still deter millers from using more Chinese cotton, in the long run China will likely overcome these problems. Consequently, China is expected to become a formidable competitor for U.S. cotton exporters in Malaysia and throughout Asia.—Frank Tarrant, Agricultural Attache, Kuala Lumpur.

Taiwan

Strong Sales Potential Exists for U.S. Alfalfa

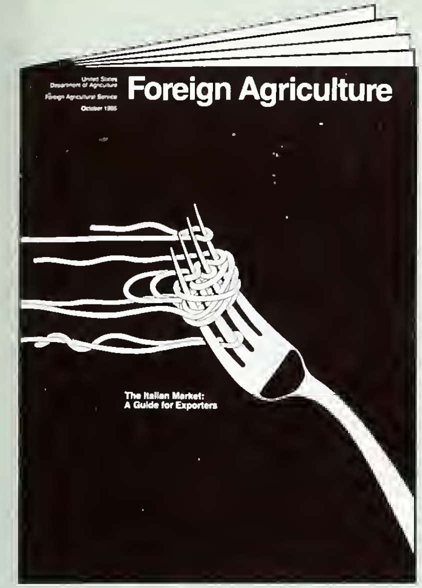
Recent growth in Taiwan's dairy cattle industry has spurred demand for imported, high-quality alfalfa. In 1985, imports of alfalfa totaled nearly 10,000 tons, nearly twice the level of only two years earlier. Imports this year are forecast at 15,000 tons, valued at nearly $2.3 million.

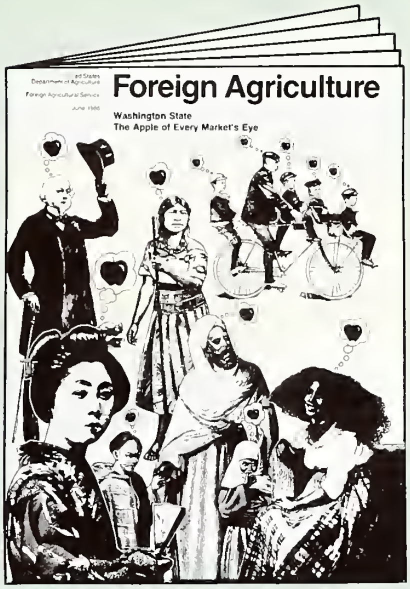
Taiwan's expanding dairy cattle industry provides the foundation for the recent growth of alfalfa imports. In addition to increasing herd size, Taiwan's dairy farmers are also attempting to improve cattle quality and milk production. Herd size increased to almost 40,000 head in 1985, including 18,000 milkers. However, total milk production is comparatively low, perhaps because of the low-grade diet many of new-to-industry dairy farmers are providing their prime dairy cattle. Brewers' grains, corn and peanut stover, sugarcane tops, soybean pumice and pineapple waste are common items on many dairy farm menus, resulting in a lack of fiber which hampers proper ruminant functions and milk production. Industry estimates suggest only 20 percent of Taiwan's dairy farmers are currently feeding alfalfa—indicating there is good potential for larger sales.

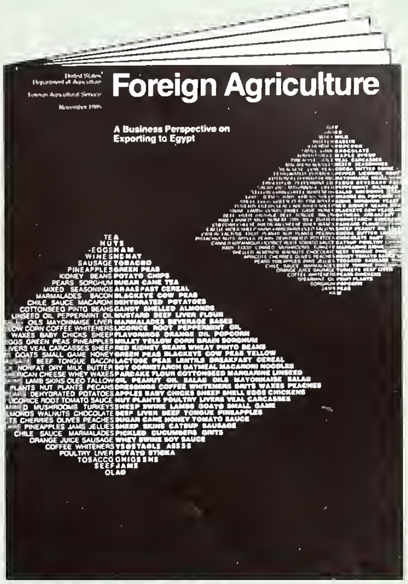
Taiwan's hog and poultry industries also have consumed alfalfa pellets in the past when corn and soybean prices have been uncompetitive. Alfalfa pellets were fed to breeding sows and layers. Currently corn and soybean prices are expected to continue relatively low, which suggests that large alfalfa sales are unlikely this year. However, these markets bear watching since the demand for alfalfa is price-sensitive.

The dairy goat industry is another potential market for alfalfa pellets. Alfalfa is used as a supplement, not principal, feed. Taiwan's current dairy goat herd is estimated at around 9,000 head. Deer (35,000 head) and rabbits (90,000 head) also consume small amounts of alfalfa, mostly pellets.

While Canada has captured most of the Japanese import market for alfalfa in the past, the United States is in a good position to improve its market position if it can be price-competitive. Market promotion activities with local dairy farmers also could help convince local farmers that their milk production stands to increase by feeding alfalfa.—*John T. Hopkins, U.S. Agricultural Officer, Taipei.*







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